

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
Low Income Housing Tax Credit Program

POLICY STATEMENT

GROSS RENT FLOOR ELECTION

The maximum (gross) rent which a project owner can charge for a LIHTC eligible low income unit is based on the area median gross income (AMGI). Under Section 42 of the Internal Revenue Code, the gross rent for a unit cannot exceed 30 percent of the imputed income limit for a qualified low income household (50 percent or 60 percent of AMGI).

The AMGI figures are published by the Department of Housing and Urban Development and are revised on an annual basis. As the AMGI of an area changes, the rent limitation for a particular unit will change.

If the AMGI decreases, a reduction in the gross rent may be required. However, the gross rent limitation does not ever need to go below the limitation applicable for the earliest period the building (that contains the unit) was included in the determination of whether the project is a qualified low-income housing project (gross rent floor).

IRS Revenue Procedure 94-57 provides clarification on determining the effective date of the gross rent floor. It states the general rule that the gross rent floor takes effect on the date the credit agency initially allocates tax credit to a building; however, an owner may elect to have the gross rent floor take effect on a building's placed in service date.

To establish the gross rent floor effective date from this time forward, a project owner will be required to file an election statement with the Michigan State Housing Development Authority (MSHDA Form # LIHTC 023). The project owner may opt to establish the gross rent floor at either the date of allocation or at the placed in service date. This election statement must be included in the application for a Commitment of Tax Credit or the Carryover Allocation of Tax Credit, whichever occurs earlier. In any event, any election must be made prior to the placed in service date. Once this election is made, it is irreversible. Owners are not required to file any documentation with the IRS to make the election.

For those projects that have allocations but were not placed in service prior to September 23, 1994, owners may establish the rent floor for a building using either the allocation date or the placed in service date. To make this election, the project owner must complete MSHDA Form # LIHTC 023 and return to MSHDA at the earlier of October 15, 1994, or the building's placed in service date. If an owner does not make a timely election, the rent floor will be considered to have taken effect on the allocation date.

For projects which were placed in service prior to September 23, 1994, the gross rent floor date is deemed to be the date that the building was placed in service.

Michigan Department of Commerce
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
735 East Michigan Avenue – P.O. Box 30044
Lansing, Michigan 48909

GROSS RENT FLOOR ELECTION STATEMENT
LOW INCOME HOUSING TAX CREDIT

As owner of _____ located in _____,
(Name of Project) (City or Township)

_____ County, Michigan, I hereby elect the effective date of the gross rent floor
(County)

for this project to be:

☐ date of allocation

☐ placed in service date

(Name of Ownership Entity)

(Federal Taxpayer ID #)

(Signature of Authorized Official)

(Title)

(Typed Name of Authorized Official)

(Date)

(LIHTC Project #)

FOR MSHDA/LIHTC USE ONLY:

Date of Allocation: _____

Placed in Service Date: _____